

1 **Q. PLEASE DESCRIBE THE PURPOSE OF YOUR TESTIMONY.**

2

3 A. The purpose of my testimony is to describe Eschelon's use of SS7 services and the
4 effects of Qwest's proposed tariff on Eschelon and its customers, and why the
5 Commission should reject that tariff.

6

7 **Q. HAVE YOU REVIEWED THE PROPOSED INTRASTATE ACCESS**
8 **TARIFF THAT QWEST HAS FILED IN THIS PROCEEDING?**

9 A. Yes. I have reviewed it and discussed it with Eschelon financial and regulatory
10 staff.

11

12 **Q. SHOULD THE PROPOSED TARIFF BE APPROVED?**

13 A. No. The tariff unfairly impacts CLECs like Eschelon and is unjustified. In
14 addition, it affects a significant change in access charges that should be decided as
15 part of the Commission's investigation of the cost of access in Docket No. T-
16 00000D-00-0672.

17

18 **Q. WHY ARE QWEST'S PROPOSED TARIFF CHANGES A CONCERN**
19 **FOR ESCHELON?**

20 A. Eschelon is trying to compete with Qwest in the State of Arizona, as well as
21 several other states. Qwest's proposed tariff would impose a direct and significant
22 increase to Eschelon's cost of providing local service, making it more difficult for
23 Eschelon to compete with Qwest. Eschelon estimates that these changes could
24 result in as much as a 200% increase in Eschelon's SS7- related costs in Arizona.
25 A major part of the increase is related to the use of SS7 in providing local service,
26 not access service. Although Eschelon exchanges SS7 messages with Qwest
27 through Illuminet, those charges will be passed on to Eschelon and others who use
28 a third party provider like Illuminet. Thus, if this tariff is approved it will allow

1 Qwest to directly and dramatically increase costs to its competitors, like Eschelon,
2 for local service.

3

4

5 **Q. HOW DOES ESCHELON PROVIDE ITS SS7 SIGNALLING SERVICES?**

6 A. Eschelon contracts with Illuminet to be its SS7 provider. In that capacity
7 Illuminet exchanges SS7 messages with Qwest.

8

9

10 **Q. WHY DOES ESCHELON PURCHASE ITS SS7 SIGNALLING SERVICES**
11 **THROUGH A THIRD PARTY LIKE ILLUMINET?**

12 A. It is the most efficient and cost effective way for Eschelon to obtain those
13 services. Because Illuminet is a very large provider of SS7 signaling services,
14 and provides them for hundreds of telecommunications companies, it has
15 economies of scale and scope that Eschelon could not achieve with our own SS7
16 network. Furthermore, it provides Eschelon and other competitors the ability to
17 enter new markets quickly with all SS7 features immediately available. Finally, it
18 allows Eschelon to not be totally dependent on its primary competitor, Qwest, for
19 these vital services,

20

21 **Q. SHOULD THE APPLICATION OF TARIFFED SS7 SERVICES DIFFER**
22 **BASED ON WHETHER ESCHELON PURCHASES THE SERVICE**
23 **DIRECTLY OR THROUGH ILLUMINET?**

24 A. I know of no reason why it should make any difference whether Eschelon
25 purchases the service directly or has its contractor, in this case Illuminet, do so.
26 Eschelon has informed Qwest that Illuminet is its SS7 provider. Eschelon has
27 executed letters of agency (LOAs) with Illuminet for that purpose. If anything, it
28 is more efficient for everyone involved for the various telecommunications

1 carriers to consolidate their SS7 services with one provider like Illuminet rather
2 than for each to deal separately with Qwest. It would certainly seem more
3 efficient for Qwest to deal with one set of aggregated SS7 connections, rather than
4 separate direct connections from a multitude of carriers.

5

6 **Q. FOR WHAT PURPOSES DOES ESCHELON USE THE SS7 NETWORK?**

7 A. SS7 signaling is a vital part of the interconnection between Eschelon and Qwest
8 and is essential to the set-up and completion of both local and long-distance
9 telephone calls. The SS7 network passes signaling information between all
10 switches involved in carrying every telephone call, allowing each call to be set up
11 and disconnected efficiently. Eschelon uses it for exchanging all local traffic,
12 including EAS traffic with Qwest, pursuant to our interconnection agreement.
13 Eschelon also uses it in the delivery and exchange of intrastate and interstate toll
14 calls. It also uses the network, as does Qwest, to provide a number of CLASS
15 services to its end-users, such as Caller ID, last call return, custom ringing, etc.

16

17 **Q. WHAT IS ESCHELON'S MAJOR CONCERN WITH QWEST'S**
18 **PROPOSAL?**

19 A. The foremost concern is that the tariff increases Eschelon's cost of providing local
20 service without providing us any new services or other benefits that we are not
21 already getting under our interconnection agreement. Under Qwest's proposal, all
22 SS7 messages, other than those associated with interstate traffic, would be
23 assessed intrastate access charges, including those associated with purely local
24 and EAS end-user traffic. Indeed, Qwest's claim that this tariff is revenue neutral
25 is based upon the assumption that all SS7 messages, whether for access or local,
26 will be billed as intrastate access calls under this tariff. (See, Eschelon Exhibit 1,
27 Qwest response to Cox Request No. 3, attached.)

1 Such local traffic is not access traffic and should not be billed as access traffic.
2 However, since Qwest cannot, or, more accurately, will not measure and bill
3 separately for such local traffic, it would charge Eschelon, through Illuminet,
4 access rates on purely local traffic if this tariff is approved. The effect is to impose
5 a new charge on local interconnection, outside of our interconnection agreement.
6 Thus, the cost of local interconnection with Qwest suddenly becomes more
7 expensive under this tariff. This added expense happens not as a result of the
8 provision of any additional services by Qwest, nor as a result of unbundling of
9 access services, but simply because Qwest will not separate out and bill separately
10 for intrastate access and local services.

11 In effect, Qwest has proposed a tariff for which it cannot or will not accurately
12 bill and is imposing that problem on everyone else. This would be like Eschelon
13 billing all of its customers' calls as long-distance calls because its billing system
14 cannot differentiate between local and long-distance. No customer would stand
15 for that because they have competitive options. The difference in this case is that
16 there is no option--Eschelon must interconnect with Qwest and exchange SS7
17 messages in order to exchange local and interexchange traffic with Qwest.
18

19 **Q. SINCE, AS MR. MCINTYRE STATES IN HIS TESTIMONY, THESE**
20 **SAME RATES ARE EFFECTIVE AT THE FCC FOR INTERSTATE**
21 **ACCESS, WHY IS THIS A PROBLEM IN ARIZONA?**

22 **A.**
23 The interstate tariff, unlike Qwest's tariff in Arizona, does not affect the cost of
24 interconnecting for local service. The FCC requires Qwest to separate interstate
25 and intrastate usage and to only apply the interstate access rates to interstate
26 access messages. For this tariff to be comparable Qwest would have to separate
27 out and charge only for intrastate access messages, not local messages.

1 Furthermore, the FCC made it clear that unless the measuring and billing was in
2 place to make the proper allocations, SS7 unbundling should not take place. In
3 the Access Reform Docket, when the FCC approved unbundling of SS7 charges
4 by Ameritech, the FCC stated that it was doing so because Ameritech had already
5 installed the equipment to measure and bill third party providers. The FCC did
6 not making unbundling mandatory because it did not want to impose on the
7 ILECs the metering and other costs necessary to accurately bill the correct parties.
8 The FCC has recognized that in some cases it would be economically inefficient
9 to mandate a separate call-setup charge because the costs of collecting the charge
10 might exceed the revenue collected from the charge itself. Qwest has apparently
11 decided that the additional costs that it would incur in separating local from
12 access traffic are not justified. However, contrary to the FCC approach, Qwest
13 has decided not to do the upgrades necessary to accurately measure and bill and
14 charge for intrastate access-related SS7 messages. It simply will bill them as if
15 they were all access related. This is totally unacceptable.

16

17 **Q.** WHAT ADDITIONAL CONCERNS DO YOU HAVE?

18 **A.** An additional concern is that while the tariff would allow Qwest to charge
19 Eschelon for SS7 charges for calls both originating and terminating in the Qwest
20 network, it does not provide for recognition that Qwest also uses the
21 Eschelon/Illuminet SS7. network in completing calls. This means that if the tariff
22 is approved, Qwest will recover its costs for exchanging SS7 messages with

1 Eschelon but Eschelon won't recover its reciprocal costs for doing likewise with
2 Qwest.

3 Another concern arises from the fact that the rates proposed are admittedly not
4 based on the cost of providing this service, but are simply mirroring those on file
5 at the FCC. Thus there is a chance that these rates will more than cover Qwest's
6 costs. This may happen because the rate structure may result in double collection
7 for some calls. For example, if a call is initiated by an Eschelon customer and it
8 travels through a Qwest access tandem to an IXC, the signaling passes from
9 Eschelon to Illuminet's STP, then to Qwest's STPS and finally to the appropriate
10 IXC's SS7 network. It is my understanding that Qwest will apparently charge
11 SS7 charges to both Eschelon (through Illuminet) and the IXC in that instance.
12 Meanwhile, Qwest will pay no SS7 charges to Eschelon.

13 Furthermore, the calling volume used by Qwest to calculate the revenue effects
14 appears erratic and arbitrary.--Qwest derived its estimate from seven months of
15 data from late 2000 and early 2001. The volume of calls fluctuates greatly from
16 month to month over that period but the trend appears to be upward. (See
17 Confidential Attachment B to Qwest's response to Eschelon Request No. 005,
18 attached as Exhibit 1.) Qwest's use of data that is over a year old and that
19 fluctuates so much from month to month gives Eschelon no confidence that it
20 accurately reflects current or future usage. Depending on which months one
21 would pick as representative the annual revenue could greatly exceed that

1 estimated by Qwest. (See Eschelon Exhibit 2) If that is the case, the rates should
2 be much lower than proposed.
3

4 **Q. DOES THIS APPROACH RAISE COMPETITIVE CONCERNS?**

5 A. Yes. It allows Qwest to impose substantial new costs on its local competitors
6 without increasing its own costs, giving it an obvious competitive advantage. It
7 also makes it more difficult for third party providers of SS7, like Illuminet, to
8 compete with Qwest for the provision of SS7 services. Finally, it should be noted
9 that Qwest now has an interest in reducing access charges since it is on the
10 threshold of entering the intrastate toll business. Thus this tariff makes life harder
11 for CLECs and third party competitors of Qwest while at the same time reducing
12 costs related to intrastate toll.
13

14 **Q. DO YOU AGREE WITH MR. MCINTYRE'S STATEMENT THAT THE**
15 **SS7 NETWORK HAS ONLY BECOME FULLY OPERATIONAL IN THE**
16 **LAST COUPLE OF YEARS?**

17 A. No. The SS7 signaling network has been operational and deployed on a wide
18 scale for almost a decade. It is an integral part of the local network and of
19 interconnection under the Telecommunications Act. It has been part of
20 Eschelon's service from its inception. SS7 service was deployed in the public
21 switched telephone network (PSTN) since early 90's. The FCC mandated 800

1 number portability in the mid-90's and call setup standards dictated wholesale use
2 of the SS7 network in all but the most rural areas of the nation, at that time.
3

4 **Q. DO YOU AGREE WITH MR. MCINTYRE THAT THE COSTS OF THE**
5 **SS7 NETWORK HAVE BEEN RECOVERED THROUGH SWITCHED**
6 **ACCESS RATE ELEMENTS UP UNTIL NOW?**

7 A. I agree that some of the costs of that network may be recovered through switched
8 access. However, I would assume that most of the costs of that network are
9 recovered through the myriad of retail CLASS and ANI services, like Caller ID
10 that Qwest has deployed. These services are made possible by the SS7 network.
11

12 **Q. DOES THE SS7 NETWORK BENEFIT QWEST?**

13 A. Yes. As Mr. McIntyre points out in his testimony, the SS7 network allows for
14 "much greater efficiency and lower cost than transmitting these signaling
15 functions over the call-carrying network." This means that it is important to
16 Qwest that interconnecting carrier also has such capabilities. Yet, under Qwest's
17 proposed tariff CLECs, through third party providers, would pay for Qwest's
18 network but Qwest would pay nothing for use of the CLEC/Illuminet network.
19 As stated previously, the use of third party aggregators like Illuminet is also
20 beneficial to Qwest as well as to the network in general because it allows

1 numerous carriers to consolidate their SS7 usage into one large supplier rather
2 than requiring Qwest to make SS7 arrangements with each CLEC individually
3

4 **Q. WHAT DO YOU RECOMMEND REGARDING QWEST'S PROPOSAL?**

5 A. I recommend that the Commission reject this tariff. Doing so should not harm
6 Qwest if its claims of revenue neutrality are correct. On the other hand,
7 approving it will create significant new costs for Qwest's local competitors in
8 Arizona and lower access charges, which will benefit Qwest as it seeks to become
9 an interexchange carrier.
10